

Minneapolis Community Development Agency

Request for City Council Action

Date: May 20, 2003

To: Council Member Lisa Goodman, Community Development Committee

Prepared by Theresa Cunningham, Project Coordinator, Phone 612-673-5237

Approved by Lee Sheehy, Executive Director and
Chuck Lutz, Deputy Executive Director _____

Subject: Request for Final Approval of up to \$11,500,000 of Tax Exempt Multi-family Housing Revenue Bonds for the Heritage Park – Phase 2 Project

Previous Directives:

- On May 16, 2003, the MCDA Board approved additional funding of up to \$565,800 from the Multi-Family Rental and Cooperative Housing Program for the Heritage Park – Phase 2 Development and increased the total Multi-Family Rental and Cooperative Housing Program funding to \$1,565,800.
- On November 8, 2002, the City Council preliminarily approved up to \$11,500,000 of Tax Exempt Multi-Family Entitlement Rental Housing Revenue Bonds for the Heritage Park – Phase 2 Project.
- On July 26, 2002, the City Council approved renaming of various unnamed streets in the Heritage Park development and authorized the execution of the Phase 2 Development Agreement (Rental Component) and various other necessary agreements associated with the development.
- On July 5, 2002, the MCDA Board approved up to \$1,000,000 from the Multi-Family Rental and Cooperative Housing Program for the Heritage Park – Phase 2 by McCormack Baron and Associates and Legacy Management and Development.
- On March 4, 2002, the City Council and the MCDA Board approved the acceptance of a \$150,000 Hennepin County Environmental Response Grant on behalf of the Heritage Park Project and authorized the execution of the Grant Agreement & Subrecipient Agreements.
- On December 28, 2001, the City Council approved Modification No. 14 to the Grant Urban Renewal Plan and Modification No. 87 to the Common Plan.
- On June 22, 2001, the City Council and MCDA Board approved the Hollman Transition TIF Plan, Modification No. 13 to the Grant Urban Renewal Plan, and Modification No. 84 to the Common Development Tax Increment Finance Plan.

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- On June 8, 2001 the City Council and MCDA Board approved the business terms of the Phase 1 Development Agreement (Rental Components) and authorized City officials to enter into a Joint Powers Agreement with the MCDA and MPHA.
- On May 18, 2001 the City Council approved a financing strategy for the North-South Boulevard in Bassett Creek Valley.
- On August 25, 2000, the City Council approved a Stage 1 Finance plan for the park, open space and infrastructure improvements to be constructed in Phase 1.
- On May 12, 2000, the City Council and MCDA Board approved a Master Development Agreement with McCormack Baron.
- On March 24, 2000, the City Council approved the Near Northside Master Plan.
- On July 30, 1999, the City Council approved the Near North Community Redevelopment Plan.
- On July 31 1998, the City Council approved a resolution affirming a special law approved by the Minnesota Legislature in 1997 relating to the establishment of a housing transition tax increment district.

Ward: 5

Neighborhood Group Notification: The Near Northside Master Plan, on which the Heritage Park development is based, was the subject of an extensive community process in 2000.

Consistency with *Building a City That Works*: The Heritage Park development is consistent with Goal 2: Ensure an array of housing choices exists to meet the needs of our current and new residents to the city.

Comprehensive Plan Compliance: Phase 2 of the Heritage Park development is consistent with the current Comprehensive Plan.

Zoning Code Compliance: Phase 2 is consistent with the current Zoning regulations.

Impact on MCDA Budget: (Check those that apply)

☐ No financial impact

☐ Action requires an appropriation increase to the MCDA Budget

☐ Action provides increased revenue for appropriation increase

☐ Action requires use of contingency or reserves

☒ Other financial impact (Explain): Annual bond fees will be collected when the bonds are issued.

Living Wage / Business Subsidy: Phase 2 of the Heritage Park development involves only housing, which is exempted from Living Wage and Business Subsidy Act requirements.

Job Linkage: Phase 2 of the Heritage Park development involves only housing, which is exempted from Job Linkage requirements.

Affirmative Action Compliance: The development agreement for Phase 2 will require the developer to comply with all applicable MCDA and City affirmative action goals.

City Council Recommendation: The MCDA Executive Director and Deputy Executive Director recommend that the City Council adopt the attached resolution giving final approval of up to \$11,500,000 in Tax Exempt Multi-Family Housing Revenue Bonds for the Heritage Park – Phase 2 Project. Summary publication of the Resolution is recommended.

Dear Council Member Goodman;

Background Information

The Heritage Park development is an exciting collaborative effort between the City of Minneapolis, the MCDA, the Minneapolis Public Housing Authority, and the rental component developers: McCormack Baron & Associates (MBA) and Legacy Management and Development Corporation. The collaboration seeks to transform a neighborhood that included four blighted public housing developments into a stable, mixed income, mixed-density, culturally diverse, amenity-rich neighborhood. The Master Plan for the Heritage Park site includes 900 new mixed-income housing units to be built in four phases. Approximately 440 units are rental, 360 units are homeownership, and 100 units are for elderly public housing residents. A mixed-income strategy will be used which incorporates the public housing into this revitalized community. The public housing units will be mixed within buildings with other low income and market rate rental households and the units will be indistinguishable from one another.

Phase 1, containing 232 units in total, is under construction with completion anticipated for fall 2003. Lease-up for the first units is underway with move-ins started November 2002.

Project Description

Phase 2 of the Heritage Park project consists of the construction of 113 mixed-income rental units, which will include townhomes, garden apartments, and duplexes. The rental units include 57 Hollman public housing replacements units, 25 tax credit units and 31 market rate units. There is a total of 18 one bedroom units, 61 two bedroom, 28 three bedroom and 6 four bedroom units. Oriented toward the street, the new housing is designed with typical city setbacks. Resident parking will be located in the rear within each block and visitor parking will occur on the streets. This design approach is similar to those found in the adjacent neighborhoods. Child play areas and community garden space will be provided within each rental block.

Phase 2 of the Heritage Park development is located on existing MPHA and MCDA property. The property which is MCDA-owned (Rawlins Circle - in the vicinity of the

previous Sumner Field public housing development at Aldrich and Seventh Avenue North) will be conveyed to MPHA prior to the start of construction.

Currently, the MPHA owns the remainder of the proposed project site and will continue to own the land after construction, entering into a long-term lease with Sumner Field II, L.P., which will own and manage the improvements. Construction is anticipated to begin in late spring 2003 and be completed by fall 2004 with 100% lease up expected by spring 2005.

Financing

Sumner Field II, L.P. initially requested up to \$11,500,000 in tax exempt Multi-family Housing Revenue Bonds for the construction expenses of Phase 2. Year 2002's Entitlement allocation balance was only \$11,107,000, which was preliminarily approved on November 8, 2002 for this project along with \$393,000 of Year 2003 Entitlement authority. Final approval of the entire \$11,500,000 housing revenue bond allocation is now being requested. With the Entitlement Bonds the partnership will receive an automatic 4% tax credit allocation for the project.

In order to maximize the potential tax credits available for the project, bonds must be issued for at least 50% of the total project costs. A portion of the bonds will be structured as permanent (40 year) debt and a portion will be structured with a shorter term with repayment from MPHA funds and tax credit equity.

Sources of Funds

INITIAL SOURCES OF FUNDS

General Partner Cash	135,600	Committed
Hennepin County	450,000	Committed
MHFA Deferred Loan	1,140,000	Committed
Minneapolis Public Housing Authority (MPHA)	6,542,400	Committed
Empowerment Zone	500,000	Committed
MCDA Multi-Family Rental & Cooperative Funds	1,565,800	Committed
MCDA Tax-Exempt HRB	11,500,000	Committed
TOTAL	\$ 21,833,800	

PERMANENT SOURCES OF FUNDS

General Partner Cash	135,600	Committed
Hennepin County	450,000	Committed
MHFA Deferred Loan	1,140,000	Committed
Minneapolis Public Housing Authority (MPHA)	8,948,900	Committed
Empowerment Zone	500,000	Committed
MCDA Multi-Family Rental & Cooperative Funds	1,565,800	Committed
MCDA Tax-Exempt HRB	3,720,000	Committed
Syndication Proceeds - LIHTC	5,373,500	Committed
TOTAL	\$ 21,833,800	

Uses of Funds

Construction Cost	15,629,376
Architect Fees	585,000
Construction Contingency	831,000
Developer Fee	1,850,000
Legal Fees	100,000
Fees	889,424
Construction Interest	1,116,000
Soft Cost	833,000
Total	\$21,833,800

HRB Entitlement: The 2002 HRB City of Minneapolis entitlement balance of \$11,107,000 was reserved for this project. The 2003 HRB City of Minneapolis entitlement of \$ 33,867,000 has already been reduced by \$100,000 for the East Phillips Commons Project. With the additional approval of \$393,000 from Year 2003 HRB entitlement for the Heritage Park – Phase II Project, a balance of \$33,374,000 remains.

Bond Counsel: Gray, Plant, Mooty, Mooty & Bennett

Underwriter: U.S. Bank Trust National Association

Council Member Informed: Yes, Ward 5

City Council Recommendation: The MCDA Executive Director and Deputy Executive Director recommend that the City Council adopt the attached resolution giving final approval of up to \$11,500,000 in Tax Exempt Multi-Family Housing Revenue Bonds for the Heritage Park – Phase 2 Project. Summary publication of the Resolution is recommended.

For further information, please call Theresa Cunningham at 612-673-5237.

Authorizing the financing of a housing program under Minnesota Statutes, Chapter 462C, authorizing the issuance of Multifamily Housing Revenue Bonds in an aggregate principal amount not to exceed \$11,500,000 to finance the program, and approving and authorizing the execution of various documents in connection therewith.

Whereas, pursuant to the Minnesota Municipal Housing Act, Minnesota Statutes Chapter 462C (the "Act"), a city is authorized to carry out programs for the financing of multifamily housing for persons of low and moderate income, and to authorize its housing and redevelopment authority to act on its behalf; and

Whereas, on October 28, 2002, the Community Development Committee of this City Council held a public hearing with respect to a program (the "Program") for the issuance of bonds to make a loan to finance the acquisition and construction of 113 units of multifamily rental housing (the "Project") to be located at the intersection of Aldrich Avenue North and Seventh Avenue North in the City, by Sumner Field Phase II, L.P., a Missouri limited partnership or its affiliates and assigns (the "Company"); and

Whereas, the Program is to be financed from the proceeds of two series of Multifamily Housing Revenue Bonds, Series 2003 (collectively, the "Bonds"), in an aggregate principal amount not to exceed \$11,500,000, to be issued by the City, and the revenues from the Project shall be pledged for the security of and payment for the Bonds (except as may be otherwise set forth in the Indentures hereinafter referred to); and

Whereas, each series of Bond proceeds will be used by the City to provide for funding of a loan (collectively, the "Loans") to the Company to finance the acquisition and construction of the Project; and

Whereas, each series of Bonds will be issued under a separate Indenture of Trust (collectively, the "Indentures"), and said Bonds and the interest on said Bonds shall be payable solely from the revenues pledged therefor and the Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation nor give rise to a pecuniary liability of the City or a charge against its general credit or assets and shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City other than the City's interest in said Project; and

Whereas, forms of the following documents (including the exhibits referred to therein) have been submitted to the City:

Request for City Council Action
Page 8

a. The Indentures to be made and entered into among the City and the trustee named therein (the "Trustee"), providing for the issuance of the respective series of Bonds, prescribing the forms thereof, pledging the trust estate described therein for the security of the respective series of Bonds, and setting forth proposed recitals, covenants and agreements by the parties with respect thereto;

b. The Financing Agreement and Loan Agreement to be executed by the City and the Company (collectively, the "Financing Agreements"), pursuant to which the proceeds of the respective series of Bonds are applied to make a loan to the Company;

c. One or more Bond Purchase Agreements, to be dated as of the date of execution thereof (the "Bond Purchase Agreements"), by and among the City, the Company and U.S. Bancorp Piper Jaffray Inc. (the "Underwriter"), providing for the purchase of the Bonds by the Underwriter;

d. The Regulatory Agreement to be executed by the City, the Company and the Trustee, as required to maintain the tax-exempt status of the Bonds; and

e. One or more preliminary disclosure documents relating to the offer of the respective series of Bonds (the "Preliminary Official Statements").

The agreements described and referred to in paragraphs a through d above shall hereinafter sometimes be referred to collectively as the "Agreements."

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That it is hereby found, determined and declared that:

a. The preservation of the quality of life in the City is dependent upon the construction, maintenance, provision, and preservation of an adequate housing stock which is affordable to persons and families of low or moderate income, that accomplishing this is a public purpose, and that many would-be providers of housing units in the City are either unable to afford mortgage credit at present market rates of interest or are unable to obtain mortgage credit because the mortgage credit market is severely restricted;

b. The development and implementation of the Program, and the issuance and sale of the Bonds by the City, and the execution and delivery of the Agreements and the performance of all covenants and agreements of the City contained therein and of all other acts and things required under the Constitution and Laws of the State of Minnesota to make the Agreements and the Bonds valid and binding obligations of the City in accordance with their terms, are authorized by the Act;

Request for City Council Action
Page 9

c. The implementation of the Program for the purposes and in the manner contemplated by the Agreements conforms or will conform to all pertinent statutes, regulations and ordinances of the State of Minnesota and the City;

d. It is desirable that the Bonds in the aggregate principal amount not to exceed \$11,500,000 be issued by the City, on the terms set forth in the Indentures, the Financing Agreements and the Bond Purchase Agreements;

e. The payments required or provided for by the Financing Agreements are intended to produce income and revenues sufficient to provide for the payment when due of principal of and interest on all Bonds issued under the Indentures, and payments are required to be made for such expenses of, among other things, administration of the Program, as will be necessary to protect the interests of the City and the Trustee; and

f. Pursuant to the provisions of the Act, and as provided in the Agreements, the Bonds shall be retired solely from the revenues of the Project and other revenues specifically pledged therefor.

Be It Further Resolved that the Program and the Agreements in substantially the forms submitted to the City at this meeting are hereby approved. Such of the documents as require the execution of the City are hereby authorized and directed to be executed or accepted, as the case may be, and delivered in the name and on behalf of the City by its Mayor, City Clerk (or Assistant City Clerk) and Finance Officer (or Assistant Finance Officer) upon execution thereof by the parties thereto as appropriate. The Bonds and the Agreements shall be executed and delivered as provided therein. Copies of all the documents necessary for the consummation of the transactions described herein and in the Agreements shall be delivered, filed and recorded as provided herein and in the Agreements.

Be It Further Resolved that the form and terms of the Agreements may be varied prior to execution and delivery by the parties thereto, provided that any such variance shall not be, in the opinion of the City's legal counsel, materially adverse to the interests of the City. The execution and delivery of the Agreements as provided above shall be conclusive evidence of the determination that any such variance was not materially adverse to the interests of the City.

Be It Further Resolved that in anticipation of the collection of revenues of the Project, there shall be issued forthwith the Bonds, in an aggregate principal amount not to exceed \$11,500,000, which issuance is approved, substantially in the form and upon the terms set forth in the Indentures, the terms of which are for this purpose incorporated in this resolution and made a part hereof as if fully set forth herein. The Bonds shall be dated as of the date and shall mature on the dates (subject to redemption on such earlier dates as provided in the Indentures), bear interest and be payable at the rates, all determined as set forth in the Indentures, provided that such rates shall result in an average coupon rate on an aggregate basis not greater than 7.0%, and provided further that the Bonds shall mature within 43 years of the date of issuance thereof. The City may at its option issue additional bonds at a later date to be used to pay or reimburse

Request for City Council Action
Page 10

costs of the Project not paid from the proceeds of the Bonds, in a principal amount not to exceed the amount set forth in the Program.

Be It Further Resolved that all actions of the employees and staff of the City heretofore taken in furtherance of the Program are hereby approved, ratified and confirmed.

Be It Further Resolved that the sale of said Bonds to the Underwriter is hereby approved, and the Bonds are hereby directed to be sold to the Underwriter, upon the terms and conditions set forth in the Bond Purchase Agreements. The Mayor, City Clerk (or Assistant City Clerk) and Finance Officer (or Assistant Finance Officer) of the City are hereby authorized and directed to prepare and execute by manual or facsimile signature the Bonds as described in the Indentures and to deliver them to the Trustee (which is herein designated as the authenticating agent under Minnesota Statutes, Section 475.55) for authentication and delivery to or as instructed by the Underwriter, together with a certified copy of this resolution, and the other documents required by the Indentures.

Be It Further Resolved that the Mayor, City Clerk (or Assistant City Clerk), Finance Officer (or Assistant Finance Officer) and other officers of the City are authorized and directed to prepare and furnish when the Bonds are issued, certified copies of all proceedings and records of the City relating to the Bonds and such other affidavits and certificates (including but not limited to those required by bond counsel) as may be required to show the facts relating to the legality, tax exemption and marketability of the Bonds as such facts appear from the books and records in said officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the City as to the truth of all statements made by the City and contained therein. Said officers are further authorized to execute such additional documents as shall be determined by the Mayor to be necessary and desirable to provide for the issuance of the Bonds.

Be It Further Resolved that the Mayor, City Clerk (or Assistant City Clerk), Finance Officer (or Assistant Finance Officer) and other officers of the City consent to the distribution of the Preliminary Official Statements relating to the respective series of Bonds, substantially in the forms on file with the City. Said officers further consent to the use by the Underwriter in connection with the sale of the Bonds of final Official Statements, substantially in the forms of the Preliminary Official Statements described above. The Preliminary Official Statements and the final Official Statements are the sole materials consented to by said officers for use in connection with the offer and sale of the Bonds. Said officers have not participated in the preparation thereof, have not made any independent investigation of the information contained therein and shall have no liability in connection with the contents of or use of such offering materials.

Be It Further Resolved that all covenants, stipulations, obligations and agreements of the City contained in this resolution and the aforementioned documents shall be deemed to be the covenants, stipulations, obligations and agreements of the City to the full extent authorized or permitted by law, and all such covenants, stipulations, obligations and agreements shall be

binding upon the City. Except as otherwise provided in this resolution, all rights, powers and privileges conferred and duties and liabilities imposed upon the City by the provisions of this resolution or of the aforementioned documents shall be exercised or performed by the City or by such members of the City, or such officers, board, body or agency thereof as may be required or authorized by law to exercise such powers and to perform such duties.

Be It Further Resolved that no covenant, stipulation, obligation or agreement herein contained or contained in the aforementioned documents shall be deemed to be a covenant, stipulation, obligation or agreement of any member of the City, or any officer, agent or employee of the City in that person's individual capacity, and neither the City Council nor any officer or employee executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Be It Further Resolved that no provision, covenant or agreement contained in the aforementioned documents, the Bonds or in any other document related to the Bonds, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to any pecuniary liability of the City or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants and representations set forth in such documents, the City has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the Project or the proceeds of the Bonds which are to be applied to the payment of the Bonds, as provided therein and in the Indenture. The Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property or funds of the City except the revenue and proceeds pledged to the payment thereof, nor shall the City be subject to any liability thereon. The holders of the Bonds shall never have the right to compel any exercise of the taxing power of the City to pay the outstanding principal of the Bonds or the interest thereon, or to enforce payment thereof against any property of the City. The Bonds shall recite in substance that the Bonds, including the interest thereon, are payable solely from the revenues and proceeds pledged to the payment thereof. The Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

Be It Further Resolved that except as herein otherwise expressly provided, nothing in this resolution or in the aforementioned documents expressed or implied is intended or shall be construed to confer upon any person or firm or corporation, other than the City or any holder of the Bonds issued under the provisions of this resolution, any right, remedy or claim, legal or equitable, under and by reason of this resolution or any provision hereof, this resolution, the aforementioned documents and all of their provisions being intended to be and being for the sole and exclusive benefit of the City and any holder from time to time of the Bonds issued under the provisions of this resolution.

Be It Further Resolved that in case any one or more of the provisions of this resolution, or of the aforementioned documents, or of the Bonds issued hereunder shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this resolution, or of the aforementioned documents, or of the Bonds, but this resolution, the

aforementioned documents, and the Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein.

Be It Further Resolved that the Bonds, when executed and delivered, shall contain a recital that they are issued pursuant to the Act, and such recital shall be conclusive evidence of the validity of the Bonds and the regularity of the issuance thereof, and that all acts, conditions and things required by the laws of the State of Minnesota relating to the adoption of this resolution, to the issuance of the Bonds and to the execution of the aforementioned documents to happen, exist and be performed precedent to and in the enactment of this resolution, and precedent to issuance of the Bonds and precedent to the execution of the aforementioned documents have happened, exist and have been performed as so required by law.

Be It Further Resolved that in the event any of the officers of the City authorized to execute documents on behalf of the City under this resolution shall have resigned or shall for any reason be unable to do so, any member of the City, or officer of the City, is hereby directed and authorized to do so on behalf of the City, with the same effect as if executed by the officer authorized to do so in this resolution.

Be It Further Resolved that each Bond is hereby designated as a "Program Bond" and is determined to be within the "Housing Program" and the "Program" all as defined in Resolution 88R-021 of the City adopted January 29, 1988, and as amended by Resolution 97R-402 of the City adopted December 12, 1997.

Be It Further Resolved that this resolution shall take effect upon publication.